

Creating Paperwork, Raising Costs, Destroying Jobs

ObamaCare's Form 1099 Provision

September 21, 2010

"[W]e have to pass the [Healthcare] bill so you can find out what's in it."

—House Speaker Nancy Pelosi, March 9, 2010

BACKGROUND

Section 9006 of ObamaCare expands information reporting requirements to the Internal Revenue Service (IRS) for business transactions in excess of \$600 in goods or services. Starting in 2012, ObamaCare mandates that all businesses file an IRS Form-1099 for any vendor with which they have more than \$600 in yearly transactions. With an unemployment rate above nine percent for 16 consecutive months, this monstrous accounting and paperwork burden will not provide any incentive to create jobs. To the contrary, the "1099 Provision" will create additional costs for business owners, particularly owners of small businesses, reducing productivity and further stifling economic growth.

CONDEMNATION FROM ALL SIDES

Businesses—Crushed by It: In an extensive June 2010 [memo](#) submitted to President Obama's Office of Management and Budget, the Business Roundtable and the Business Council, industry organizations representing the nation's largest private sector employers, outlined the job-killing policies of the administration. Referring specifically to the 1099 provision of ObamaCare, the memo noted, "the cost to modify systems to collect the data and send the additional 1099s will not be insignificant." Indeed, a recent National Federation of Independent Business (NFIB) Small Business Survey determined that tax paperwork, costing \$74 an hour, is the most expensive burden placed on small businesses by the federal government. The NFIB's tax counsel, Bill Rys, has also highlighted the "direct negative impact on small business" of the 1099 mandate.

A recent [letter](#) from the U.S. Chamber of Commerce to members of Congress, signed by more than 2,400 member businesses from all industries and regions, stated that the 1099 provision means "40 million entities, including governments, nonprofits, and businesses of all sizes across the nation will be subjected to onerous data collection and IRS information filing burdens." The letter continued: "these entities will have to institute new complex record-keeping, data collection and reporting requirements that track every purchase by vendor and payment method." This mandate will "dramatically increase accounting costs, expose businesses to costly and unjustified audits by the IRS, and subject more small businesses to the challenges of electronic filing."

Accountants—Against It: The American Institute of Certified Public Accountants (AICPA) advocated against Section 9006 in a July 2010 [letter](#) to Senators. Based on excessive implementation costs and the "limited utility" gained by the government from the "generation and receipt of millions of forms," the AICPA said the 1099 requirement should be repealed as the "extraordinary burden in this instance far outweighs the potential benefit."

The IRS—Wary of It: In July, the Internal Revenue Service's National Taxpayer Advocate highlighted [several](#) problems with the 1099 mandate:

- "[T]he new reporting burden, particularly as it falls on small businesses, may turn out to be disproportionate as compared with any resulting improvement in tax compliance."
- "[S]mall businesses that lack the capacity to track customer purchases may lose customers, leaving the economy with more large national vendors and less local competition."

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